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DE RUEHAM #4790 3391648
ZNR UUUUU ZZH
P 051648Z DEC 07
FM AMEMBASSY AMMAN
TO SECSTATE WASHDC PRIORITY 1131

UNCLAS AMMAN 004790

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FOR NEA AND EEB

E.O. 12958: N/A

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SUBJECT: JORDAN REQUESTS \$1.9 BILLION IN ECONOMIC AND SUPPLEMENTAL ASSISTANCE FOR 2008 AND 2009

REF: A. AMMAN 4773

[¶](#)B. AMMAN 4575

[¶](#)1. In his first meeting with the Ambassador on November 27, new Prime Minister Nader Dahabi said that Jordan sought an immediate increase of ESF for fiscal years 2008 and 2009. Chief of the Royal Court Bassem Awadallah subsequently conveyed a more detailed funding proposal through letters dated December 3 to visiting Senators Ted Stevens and Daniel Inouye. Planning Minister Suhair al-Ali informed the Ambassador on December 5 that the proposal represented the GOJ's formal request for an increase in baseline economic assistance to USD 450 million in both fiscal year (FY) 2008 and in FY 2009 to support Jordan's reform agenda, as well as supplemental assistance of USD 500 million per fiscal year to mitigate the financial impact of the influx of Iraqis.

[¶](#)2. Jordan's proposal, to be provided septel, identifies the budgetary pressures of rising world oil and wheat prices, as well as the influx of Iraqis, as the primary factors for the additional assistance requests. According to the GOJ, rising oil and wheat prices are expected to increase the GOJ's 2007 budget deficit from the targeted USD 543 million to USD 896 million. Jordan is "committed" to fully liberalizing energy prices and grain subsidies in 2008, but will accompany the changes with a social safety net of about USD 500 million for the poor. Jordan estimates that 780,000 Jordanians are living below the poverty line of two U.S. dollars per day. The GOJ also describes the budgetary pressure of the influx of 450,000 - 500,000 Iraqis since 2003 (Ref A). Estimated costs of USD 1.6 billion include water (USD 430 Million), security (USD 312 million), energy (USD 300 million), education (USD 290 million), health (USD 176 million), and transport (USD 179 million). The GOJ estimates that 12.5 percent of government subsidies are consumed by Iraqis living in Jordan.

[¶](#)3. The GOJ proposal also provides an overview of its fiscal reform efforts, and describes the October 2007 Paris Club buyback agreement to retire at least USD 2.153 billion in previously rescheduled loans at an average discount rate of 11 percent (Ref B). The GOJ estimates this buyback would lead to a yearly cash savings of up to USD 250 million, and would correspondingly reduce balance of payments deficits and reduce the percentage of external debt to GDP from 46 percent to 32 percent. The GOJ also has measures planned to reduce budget expenditures by 3 percent of GDP, aims to increase revenues through tax reforms, and seeks to reduce its budget deficit.

[¶](#)4. The GOJ proposal concludes by explaining the need for U.S. and international community support to ensure the sustainability of its reform program. It references the relationship between open, democratic and free societies and the sustainability of peace and prosperity.

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